

Reading Perot's Lips: Taxes, Gays, etc.

By Steven A. Holmes
DALLAS — In a television interview-broadcast Friday night, Ross Perot, the likely presidential candidate, said that he opposed raising taxes to trim the federal budget deficit, that it would not be realistic for homosexuals to be in the armed forces and that he would not appoint homosexuals or appointees to top cabinet-level jobs.

Mr. Perot, who has had contentious dealings with the State Department when he tried to deliver mail, food and medicine to American prisoners in North Vietnam in 1969 and 1970 and when two of his employees were jailed in Iran in 1979, said he would restructure the department.



Ross Perot with Jesse Jackson after taping a segment of a television program.

PEROT: Project Demonstrates How the Texan Gets Things Done

(Continued from page 1)
employed one of the most prominent lobbyists in Texas; as well as two Washington firms, Bayless, Boland, Bates & Madigan, and Lipson, Whitten & Diamond.

When Ross Perot influences an issue, it is not lobbying. When somebody else does it, it is.
Barry Harris, FAA administrator

project generated 4,131. The city projected 1,209 permanent jobs; so far the project has yielded only 63.

U.S. Policy Failing to Stem Flow Of Haitians

By Howard W. French
PORT-AU-PRINCE, Haiti — Less than a week after the introduction of a new policy of returning fleeing Haitians directly to their country, there were signs Friday that far from slowing down, the exodus from this country has accelerated.

Bush Sought to Mollify Iraqis Before the War, Memo Shows

By Elaine Sciolino
WASHINGTON — A secret policy directive on the Gulf region signed by President George Bush in October 1989 said the United States should offer economic and political incentives to President Saddam Hussein of Iraq as a way of moderating his behavior and increasing U.S. influence in his country.

ORLD BRIEFS

at Afghan Leader's Plane
... The plane landed safely and ...

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... representatives from ...

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... said Friday that ...

Is Flee Sudan for Kenya

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... of parliament ...

RAWEL UPDATE

... on page 1 ...

Travel

... to ...

AMERICAN TOPICS

In This Campus Tale.

The Story Is the Tale
Urban legends, like the one about fully-grown alligators in the sewers, have their equivalent on college campuses.

Short Takes

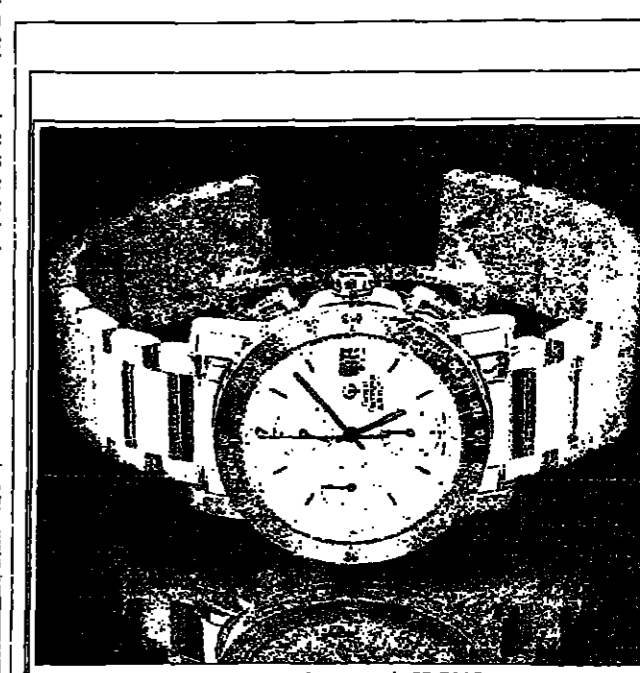
Motels are increasingly turning to electronic door locks that open with a plastic card.

Real-Life Poll: Quayle Loses to Murphy Brown

NEW YORK — Americans say they believe the television character Murphy Brown, criticized by Vice President Dan Quayle for having a baby out of wedlock, would make a better parent.

Stripping Past From Georgia's Flag?

By Ronald Smothers
ATLANTA — In a significant break with his predecessors and other Southern governors, Governor Zell Miller of Georgia said he would introduce legislation to eliminate the Confederate battle symbol from the official state flag.



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Charges Widen in Beating Of Trucker in L.A. Riots

LOS ANGELES — Three men accused of the savage, televised beating of a truck driver in the first hours of the Los Angeles riots had attacked 12 other people just before turning on the trucker, according to a district attorney here.

Where to Dine in Copenhagen

- SCT. GERTRUDS KLOSTER
A dinner with candlelight under the vaults of the medieval monastery of St. Gertrud is an experience not to be missed.
...
Waterloo
The exclusive nightclub with atmosphere and sophisticated show Daily 6 p.m./5 p.m.
...
Joanna
French & Danish Lunch & Dinner
...
Restaurant Els
Exclusive Food & Wine. Lunch & Dinner
...

Dining in Paris

- POLO I
Dublin's most fashionable international restaurant.
...
CARR'S
Bar & Restaurant - Warm atmosphere
...
LE RESTAURANT
Fine French Dining at the finest hotel in Paris
...
THOMIEUX
Specialties of the South-West. Confit de canard & cassoulet on order
...

Herald INTERNATIONAL Tribune

A Signal to Milosevic

Tardily, the European Community and the United Nations are stepping up efforts to slow the slaughter in Yugoslavia. The Community is imposing a trade embargo on Serbia, and the UN is considering broader sanctions, including the one with the sharpest edge, an oil embargo.

purpose in Europe since World War II. But if not Mr. Milosevic, then surely many of his citizens and perhaps some of his officers can see the growing determination of many other countries to deal more directly with the Yugoslav tragedy.

Fine-Tuning on China

Very soon, President George Bush is expected to renew China's favorable trade status for one more year despite Beijing's horrendous abuses of human rights.

sanctions and human rights together, and America can constructively assert its influence on behalf of liberty. Ms. Burkhalter proposes threatening China with tariff increases against selected products unless it agrees to release a significant number of political prisoners, respect basic religious freedoms and open its prisons and labor camps to international inspection.

Nixon '68, Perot '92

To watch Ross Perot's 1992 campaign is to recall Richard Nixon's in 1968. Mr. Nixon waged his real campaign on television. So has Mr. Perot. Mr. Nixon's message was disarmingly simple and maddeningly vague.

constituencies and neutralize old ones through a divisive war helped Eugene McCarthy drive Lyndon Johnson from office in 1968. Mr. McCarthy could not have gone as far as he did without television's stage.

Other Comment

Holdovers of Apartheid
Apartheid has been officially pronounced dead but its inequities are taking an unconscionable time to die. White teachers are being cut back at high cost while black schools are grossly understaffed.

classrooms cannot keep pace. Pupil-teacher ratios remain high. The number of pupils involved in double sessions is increasing. Redeployment of teachers from underused and overstuffed white schools to overcrowded and understaffed black schools is seemingly not on the agenda.

INTERNATIONAL HERALD TRIBUNE

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A French-German Corps? Well, Why Not?

By Stephen S. Rosenfeld

WASHINGTON — Surely the most startling aspect of the post-Cold War foreign policy of that old pro-German George Bush is the way relations have wobbled and skidded with America's closest and most valuable allies.

tension over what the American role — and especially the American security role — in Europe ought to be in a context involving neither Khrushchev's threat nor Third World crisis.

But instead we find open sniping and ominous talk between Washington and Paris. For the French role, an inquirer can hear various explanations of principle, politics and personality.

Israel: Both Men Understand the National Realities

By A. M. Rosenthal

JERUSALEM — In Israel, governments change, and may again, soon. But the life of the nation has certain constants. They last from one election to another. And they are the only sure inheritance of the winner.

ments of Americans. Will the country really last? What do we have to do to make sure it does, always? Or, for leaders, this: I have the right to entrust my own life to neighbors who frighten my people but do I have the right to entrust my country? Or this, for all Israelis: Whom do I despise more, the terrorists who stabbed a Jewish girl to death or the mob that shouts "Kill the Arabs"?

would not happen until five years from now. And, like Mr. Shamir, he sees Palestinian statehood as an unacceptable military danger to Israel.

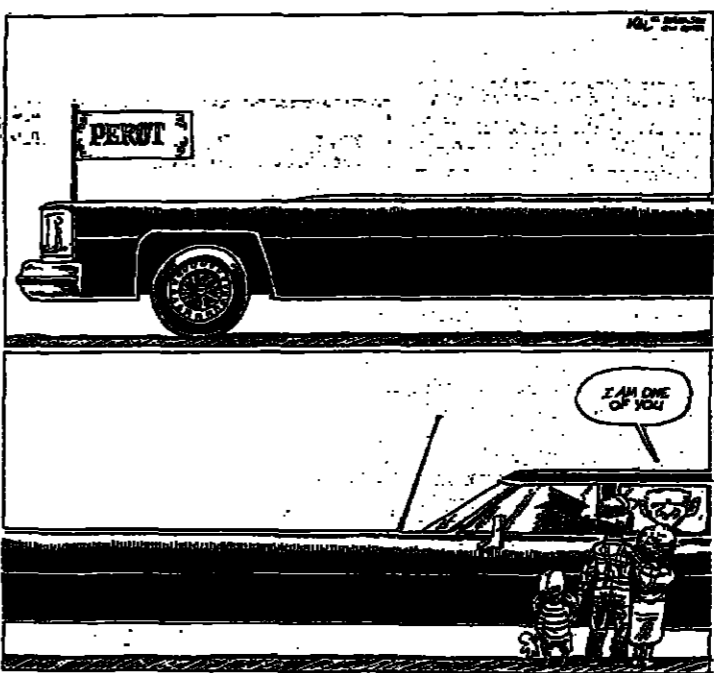
They all loved him and listened while he shouted at them because he had qualities that always seem to be in short supply. He was a quintessential professional who would make his case very hard, very unpleasant and would demand that they keep his mouth closed.

An Electoral Train Wreck That a Pledge Could Avert

By Charles Krauthammer

WASHINGTON — The United States has enough troubles. The last thing it needs is a crisis of presidential legitimacy. It may very well get one next January.

and totally preventable. The problem is that the 12th Amendment tells the House to elect a president but does not tell a House member how to vote.



for members of Congress to follow the dictate of the country and pledge to support the overall popular-vote winner. For the future, however, America will need a more durable solution.

Taiwan: Building Toward a Prosperous Democracy

By Ramon H. Myers

STANFORD, California — It is an irony of recent history that Taiwan, while steadily democratizing, has emerged in a stronger position to deal with its domestic difficulties than have most other Asian states.

foundations were laid before political reforms for democracy were begun. From 1950 to 1952, Chiang Kai-shek rebuilt the Kuomintang. The new leaders were determined to construct a prosperous, democratic Taiwan to become a model for the mainland.

the two leading vote-getters should be held two weeks later. The one who gets the most votes the second time around becomes president of the United States.

Taiwan are better poised than most states to manage their future. The writer, senior fellow at the Hoover Institution on War, Revolution and Peace, is co-author of a forthcoming book on Taiwan's democratization.

A Pro's Pro: Truth-Teller Philip Habib

By Leslie H. Gelb

NEW YORK — After a conference where he lectured on foreign policy as the art of right and wrong and practicality, and after dining at a three-star restaurant, Philip Habib died in France this week at the age of 72 of perhaps his 10th heart attack.

He became the white knight of the Foreign Service at a time when presidents and various secretaries of state were casting the diplomatic corps aside in favor of political appointees. He nurtured a generation of proteges. Leonard and Ingeborg, Phil Habib, also became the only man to be granted to four widely different secretaries of state — Dean Rusk, Henry Kissinger, Cyrus Vance and George Shultz.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1892: Parisian Panacea

PARIS — From today (May 30) till the evening of the Grand Prix on June 12, the cream of European society will be in Paris, and from nine till 11 a.m. the cream of Parisian society is in the Bois de Boulogne.

1942: German Repatriates

LONDON — [From our New York edition] German flying squads executed twelve more Czechs today (May 27), four of whom were women after a speedy court martial hanging to death the number of German repatriates of the German Gestapo (secret police). All were charged with harboring and registering persons engaged in activities hostile to Germany.

1917: Trieste in Danger

PARIS — A devastating fire continues to pour on the mountain fortress of Heraclea, where a huge battle between Italian and Austro-Hungarian forces is imminent. The fate of the Adriatic ports Trieste and Fiume depends upon the outcome, and Anzani

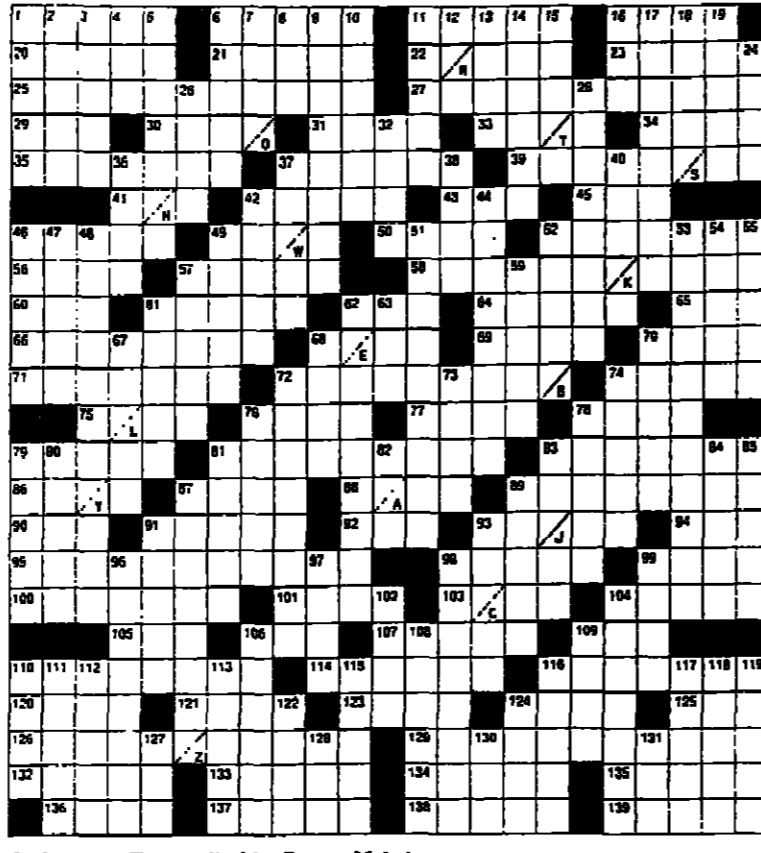
are rushing enormous forces to this danger zone to meet the Italian onslaught. The "Morning Post" says: "If Trieste is captured the whole of the Istria peninsula, with the second base of Pola, will be in immediate peril. Such a victory would make Italy the mistress of the Adriatic."

There are solitary riders, those who go in pairs and those who walk or jog lazily along, looking upon the mere act of riding as the summit of all possible happiness and the panacea of all ills. Anyone who is anyone in society considers it a duty to partake of this maternal promenade.

ACROSS

- 1 Surfer's surface
2 Jazzy
3... 31 Tick off
32 Network or
knitwork
33 Mascara
recipient
34 Wise — owl
35 Mascara
recipient
37 Heavy-bodied
brews
38 Sections for
pulpitis
41 Without limit
42 Cheech's
comical partner
43 Suffix for poet
45 Maxwell
contemporary
46 Leader of the
across
49 Attenuated
50 Japanese P.M.
1964-72
52 Frying pans
56 Footnote abbr
57 Violin cloth
58 Shiner perch
60 Decalogous
adverb
61 DeGaulle's
birthplace

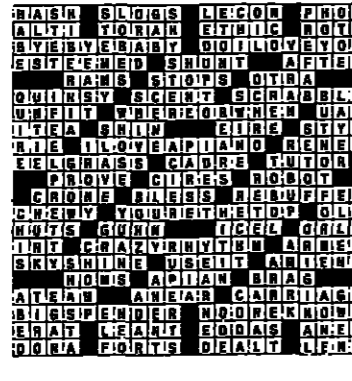
Cryptocrossword By Eugene T. Maleska



New York Times, edited by Eugene Maleska.

- 40 Shooft and
Sedaka
42 Santagu is his
capital
44 Send to —
ishani
46 Faabs
47 Alop
48 Grape growing
49 Takes a powder?
51 Ankles
52 Cynic's look
53 Gradual
disappearance
54 A sister of
Goneril
55 Shug at a bar
57 Item not to be
washed
58 Cries at Greek
orgies
61 Act-in-dancer
Hal
62 A Bennett of
films
63 Evil Tolkien
creature
67 Twofold
68 "Soft Waiches"
painter
69 — light
70 Flats of the
bellflower
family
73 Red quartz
74 Gold lace for
upholstery
76 Gloot
78 Flaps
79 Gibe
80 Muslim deity
81 Water plants
82 Be contrite
83 Postpone
84 Aunt. in Arles
85 Slammin' Sam
of golf
87 Actress in
"Picnic": 1955
89 Enclosed with a
fence
91 Ran-ian
93 Heavenly
streaker
96 Mine owner, e.g.
97 Shebat's
follower
98 Musical prelude
99 Bellicose
Olympian
102 — Valley,
Calif.
104 More friable
106 Composer
Debussy
108 — pentameter
109 Cube inventor
Rubik
110 Sow chow
111 Oust
112 Spanish flower
113 Capp hero
115 A lover of
Elizabeth I
116 City on the
Mosel
117 Your, of yore
118 Had the sniffles
119 Indigent
122 Nacine, e.g.
124 Neighbor of a
humerus
127 Bee chaser
128 Nickname of a
former N.L.
slugger
130 Mt. —, Italy
131 "Some — meat
... Burns

Solution to Puzzle of May 23-24



DIRECTIONS:
The crossword puzzle above has no tricks but is designed as a vocabulary builder. Some of the boxes are divided in half and contain a letter inside the bottom half. Disregard these letters as you go along. The letter in the top half is part of the crossword answer. After finishing the crossword, turn to the cryptogram below. The letters are the same as the ones in the lower halves of the boxes above. But you have placed another letter in each upper half. That letter helps to solve the cryptogram. For example, Q/X: in the cryptogram all X's would become Q's.

TECS EAYTLEZSH JRHT CRZS YOWT LKSR: "LAY BETS WHYE YOS ORKK EJ JRCS, JEB LYSYT TRZS!"
Some people may wish to solve the cryptogram with the aid of the crossword. Others may choose to solve the crossword and the cryptogram without reference to each other.

ART

Dieppe Through Painters' Eyes

By John Russell
New York Times Service

BRIGHTON, England —
At any given time there is in France a little town somewhere by the sea in which painters feel especially at home. Boudin was at home in Honfleur, Monet in Evreux, Gauguin in Pont-Aven, Seurat in Gravelines, Signac in Saint-Tropez and Matisse in Collioure. After them, the magic went elsewhere for major painters, even if the places in question still had their charms.

Among the longer-running favorites, Dieppe came at the top of the list. That is made clear in the exhibition called "Rendezvous in Dieppe: The Town and Its Artists From Turner to Braque" that can be seen at the Brighton Museum and Art Gallery through June 30. Dieppe, not far from Rouen, on the Normandy coast, has much to boast about, though boasting has never been its style. A town that has attracted J.M.W. Turner, Eugene Delacroix, Richard Parkes Bonington, Edgar Degas, Claude Monet, Camille Pissarro, Auguste Renoir, Paul Gauguin, Aubrey Beardsley, James McNeill Whistler, Max Beerbohm, Felix Vallotton, William and Ben Nicholson, Walter Richard Sickert, Matthew Smith and Georges Braque has to have been doing something right. It is also a tribute to the discreet fascination of Dieppe that among the writers who enjoyed it are Chateaubriand, Flaubert, Turgenyev, Dumas fils, Oscar Wilde, Marcel Proust and Virginia Woolf. In 1898 it was just outside Dieppe, and not in England, that the now vastly admired English architect Edwin Lutyens completed his first private commission for a major country house. Nor is it forgotten that, among composers, Rossini, Liszt and Fauré were visitors to Dieppe, that Saint-Saens was a native of the town and that Debussy wrote his "Le Jeu de l'écureuil."



"Le Grand Duquesne, Dieppe," as painted by Walter Richard Sickert in 1902.

Handsome as that harbor was — and still is, despite massive damage in World War II — the painting might have been a happy but isolated fluke. When that lifelong traveler Turner moved on, that is to say, the landscape of Dieppe might have been left to its fisherfolk and its pioneer sea-bathers. But Dieppe was built, to fast, in the cultural context. Until the first months of World War II in 1939, it was the little town of first choice not only for French artists and writers but also for many of their English colleagues. It was also the hometown of Jacques-Emile Blanche, the painter, autobiographer and Angouleme who liked nothing better than to negotiate between notabilities who might enjoy one another's company. Blanche knew "everybody" from

Degas, Whistler and Aubrey Beardsley onward, and he did his best to endear Dieppe to them, and vice versa. It was thanks in part to Blanche that Sickert came to spend the summer of 1885 in Dieppe and returned there consistently until the early 1920s. He delighted in Dieppe, and Dieppe prompted many of the paintings that caused him to be regarded as the foremost British painter of his day. For this reason, and despite the presence in the Brighton show of Delacroix, Pissarro, Gauguin, Whistler and other major names, it is Sickert who dominates. In youth, he was a committed Whistlerian. Painting the Hotel Royal in Dieppe around 1894, he worked with duets of green and mauve and intimations of nightfall that Whistler himself could not have bettered. But soon he was working on the landmarks of Dieppe in terms of mass and weight, and a heavily laden brush. He also had, as in "Le Grand Duquesne, Dieppe," a sense of the high drama that can be present even in a town that never strives for "importance." To this day, Sickert is our best guide to Dieppe. The Café des Tri-

maux is still the center of the town, the facade of St. Jacques is intact, the arcades around the harbor can still be deciphered in spite of the catastrophic Allied raid on the town in 1942. His tall, narrow, sumptuously painted panels of the inner harbor put the smell of the sea under our very noses. We see the town as he saw it. We walk at his pace. We stop where he stopped. It is a glorious continuity. Sickert can make us feel that, after him, and as far as art was concerned, Dieppe might as well have shut up shop: But a whole cast of characters was on its way. Braque returned to his native Normandy in the 1920s and lived very near to Dieppe. In the late 1920s there was Andre Kertész, a photographer of near genius, who got the beach life of Dieppe exactly right. Then there was the English modern movement in art, as represented by Matthew Smith, Ben Nicholson, Christopher Wood and others. And in the late 1930s there were the visits of Joan Miró, Fernand Léger and Alexander Calder.

As Braque used to make sculptures out of large pieces of chalk from the nearby cliffs, and as in the first months of World War II Miró made his series of "Constellations" in a rented house just a mile or two away, it will be clear that the white magic of Dieppe did not peter out. Although neither the Douanier Rousseau nor Constantin Brancusi is known to have visited Dieppe, both of them are included in the exhibition. The cliffs painted by Rousseau might be more or less anywhere, but with the eye of faith it is possible to believe that the Douanier had Dieppe in mind. As for the Brancusi, it is a collage in which he has made a pencil drawing of his sculpture "The Kiss" and put it side by side with the coat of arms of Dieppe as it appeared on a cigarette card in the 1920s. As both "The Kiss" and the coat of arms include two people who are clearly interested in each other, its presence can be justified. The show is the brainchild of John Willett, the English cultural historian. Though best known for his studies of the Weimar Republic, he happens to be a longtime summer resident in Dieppe. He was succeeded by the young art historian Sophie Borwood, who has the subject in her blood, in that she is the granddaughter of Ben Nicholson and Barbara Hepworth.

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COLLECTOR'S GUIDE Manufacture in Aubusson, France Galerie robert four CARPETS & TAPESTRIES. Antiquaire & Contemporary creations from Foyat, Goussier, Klee, Kozz, Lopera, Luygh, Maggiori, Medagliani, Monet, Noble, Neri, Arker, Pissarro, Rousseau, Seurat, Taffel, Vassier.

NYSE

Takes include nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Symbol	Change	High	Low	Close
IBM	+1.00	105.00	103.00	104.00
GE	+0.50	38.50	37.50	38.00
AT&T	+0.25	15.00	14.75	14.75
SP500	+12.34	345.12	332.78	342.84

Symbol	Change	High	Low	Close
AMZN	+1.20	45.00	43.80	44.60
WMT	+0.80	28.50	27.70	28.30
DIS	+0.60	24.00	23.40	23.60
MSFT	+0.40	32.00	31.60	31.60

Symbol	Change	High	Low	Close
PFE	+0.30	32.00	31.70	31.70
MRK	+0.20	31.00	30.80	30.80
CVS	+0.10	15.00	14.90	14.90
INTL	+0.05	10.00	9.95	9.95

Symbol	Change	High	Low	Close
BA	+0.50	45.00	44.50	44.50
GM	+0.20	22.00	21.80	21.80
F	+0.10	11.00	10.90	10.90
MC	+0.05	8.00	7.95	7.95

Symbol	Change	High	Low	Close
GO	+0.30	28.00	27.70	27.70
MS	+0.15	12.00	11.85	11.85
CVX	+0.10	10.00	9.90	9.90
DD	+0.05	5.00	4.95	4.95

Symbol	Change	High	Low	Close
NEWT	+0.40	15.00	14.60	14.60
PCOM	+0.30	12.00	11.70	11.70
DLN	+0.20	10.00	9.80	9.80
ADP	+0.10	8.00	7.90	7.90

Symbol	Change	High	Low	Close
AVY	+0.15	12.00	11.85	11.85
IBM	+0.10	10.00	9.90	9.90
GE	+0.05	8.00	7.95	7.95
AT&T	+0.02	5.00	4.98	4.98

Symbol	Change	High	Low	Close
AMZN	+0.50	45.00	44.50	44.50
WMT	+0.30	28.50	28.20	28.20
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Symbol	Change	High	Low	Close
PFE	+0.20	32.00	31.80	31.80
MRK	+0.15	31.00	30.85	30.85
CVS	+0.10	15.00	14.90	14.90
INTL	+0.05	10.00	9.95	9.95

Symbol	Change	High	Low	Close
BA	+0.40	45.00	44.60	44.60
GM	+0.25	22.00	21.75	21.75
F	+0.15	11.00	10.85	10.85
MC	+0.08	8.00	7.92	7.92

Symbol	Change	High	Low	Close
GO	+0.25	28.00	27.75	27.75
MS	+0.12	12.00	11.88	11.88
CVX	+0.08	10.00	9.92	9.92
DD	+0.04	5.00	4.96	4.96

NYSE High-Lows	
NEW HIGH	IBM, GE, AT&T, AMZN, WMT, DIS, MSFT, PFE, MRK, CVS, INTL, GO, MS, CVX, DD
NEW LOW	

AMEX High-Lows	
NEW HIGH	
NEW LOW	

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5 Year The

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MARKET DIARY

Dollar Ends Lower On Asian Selling

NEW YORK — The dollar ended on Friday, extending steep overnight losses in Japan.

Foreign Exchange

sales of dollars for yen during Tokyo trading hours. The central bank acted after the dollar was left vulnerable by a bigger-than-expected drop in U.S. money supply reported late Thursday.

ECONOMY: Growth Up to 2.4%

keeping a goal in the flank of the Federal Reserve Board, which shifted last week to a neutral credit policy and away from a bias to ease credit.

N.Y. Stock

May 18, with M-2 gain by \$7.4 billion, growing below the central bank's target of 2.5 percent.

Inside the Fed, serious questioning has begun whether M-2, which spotlights bank lending, represents a clear link with economic growth as it did in the past, because of the financial upheavals of the thrift crisis.

The Fed reported Thursday that all three major money supply measures fell during the week ended May 18.

The first nationwide snapshot of the economy in May will appear on Monday in the monthly index issued by the National Association of Purchasing Management.

Stocks were buoyed during the day by a decline in the dollar.

Fund managers bought shares of companies that generate a big portion of their earnings from exports, said Robert Ritter, market analyst at Ladenburg, Thalmann & Co.

Mr. Jordan said the second quarter GDP might even be better rather than worse because Friday's revision was less than expected.

Whether all this might induce the Fed to lower interest rates again seems doubtful, because growth of 2.4 percent is close to what the Fed

frances, down from 1,476 francs, and 5,401.0 French francs, down from 5,462.5 francs.

Traders were discouraged by a report Friday that showed the U.S. economy grew at a seasonally adjusted annual rate of 2.4 percent during the first quarter of the year.

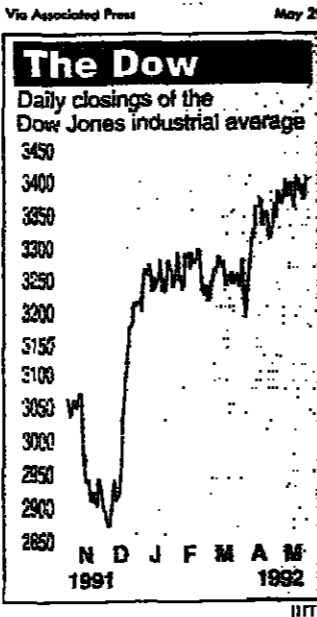
"The Bush administration and the Federal Reserve seemed to be indicating that the figure would be a dramatic increase," Mr. Chandler said, "and the market was disappointed."

Analysts said the dollar came under additional pressure from comments by Michael J. Boskin, the White House chief economist.

While the upward revision to first-quarter GDP was welcome, "concern remains about the slow pace of money growth and credit availability," Mr. Boskin said.

In London earlier, the dollar was quoted at 1.6055 DM, down from 1.6280 DM, and at 127.70 yen, down from 129.50 yen.

It also finished at 1,4570 Swiss



The Dow Jones Industrial Average

Table with columns: Vol., High, Low, Last, Chg. for NYSE Most Active stocks.

Table with columns: Vol., High, Low, Last, Chg. for NYSE Diary.

Table with columns: Vol., High, Low, Last, Chg. for Amex Diary.

Table with columns: Vol., High, Low, Last, Chg. for NASDAQ Diary.

Table with columns: Vol., High, Low, Last, Chg. for NYSE Most Active.

Table with columns: Vol., High, Low, Last, Chg. for NYSE Diary.

Table with columns: Vol., High, Low, Last, Chg. for Amex Diary.

Table with columns: Vol., High, Low, Last, Chg. for NASDAQ Diary.

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Table showing Standard & Poor's Indexes: Industrials, Utilities, S&P 500, and Composite.

NYSE Indexes

Table showing NYSE Indexes: Composite, Industrials, Utilities, and S&P 500.

NASDAQ Indexes

Table showing NASDAQ Indexes: Composite, Industrials, Utilities, and S&P 500.

AMEX Stock Index

Table showing AMEX Stock Index: High, Low, Close, Change.

Dow Jones Bond Averages

Table showing Dow Jones Bond Averages: 20 Bonds, 10 Utilities, 10 Industrials.

Market Sales

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Metals

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Table showing Dividends: Dividend Yield, Dividend Payout.

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Table showing Food: COFFEE, SUGAR, SOYBEANS.

Financial

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Commodity Indexes

Table showing Commodity Indexes: MOODY'S, COMMODITY INDEX.

Market Guide

Table showing Market Guide: CME, NYSE, AMEX, NASDAQ.

U.S. / AT THE CLOSE

IBM Seen Linking With PC Maker

NEW YORK (AP)—International Business Machines Corp. will buy a small stake in a maker of high-end personal computers and resell the machines under the IBM label, industry executives said Friday.

Gabelli Stirs Opposition Over Centel

NEW YORK (AP)—Opposition mounted Friday to Centel Corp.'s proposed \$2.85 billion sale to Sprint Corp. when Mario Gabelli, a fund manager and major Centel holder, called a meeting of stockholders and analysts that could develop into a full-scale revolt to block the deal.

Drexel Sues Boesky on Insider Deals

NEW YORK (Reuters)—In a bizarre twist to the insider-trading saga of the 1980s, Drexel Burnham Lambert Group Inc. has filed a lawsuit Friday against Michael R. Boesky, a former Drexel analyst.

SEC Proposes Asset-Backed Shift

WASHINGTON (Combined Dispatches)—The Securities and Exchange Commission proposed Friday making it easier for companies to raise cash by tapping the hot market for asset-backed securities.

For the Record

Zenith Electronics Corp. and American Telephone & Telegraph Co. successfully broadcast a high-definition television signal over 75 miles in a test of one of five systems seeking approval as the U.S. HDTV standard.

WORLD STOCK MARKETS

Agence France Presse May 29

Table showing World Stock Markets: Amsterdam, Helsinki, Hong Kong, Paris, Sydney, Tokyo, Sao Paulo, Madrid, Milan, Zurich, Stockholm, Montreal.

Bond Gets 2 1/2 Years in Jail

PERTH—The bankrupt tycoon Alan Bond was sentenced Friday to 2 1/2 years in prison by a judge who said he could not "show special leniency to people who have fallen from great heights."

Mr. Bond, 54, was jailed by Judge Blaxland one day after a jury found him guilty of dishonestly concealing a 16 million Australian dollar (\$12 million) fee while organizing an attempted rescue of the Perth merchant bank, Rothwells Ltd., in October 1987.

Judge Blaxland said Mr. Bond had suffered a "prolonged fall from grace," but he added, "Imprisonment is the only appropriate penalty."

A spokesman for Mr. Bond's lawyers said an appeal had been lodged against both the conviction and sentence.

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Vertical advertisements on the right edge of the page, including 'Estro', 'Merced', and 'International Herald Tribune'.

Estonia Unveils Plan for New Currency

MOSCOW — Estonia announced on Friday that it would introduce its own national currency, the kroon, to coexist alongside the ruble and help ease a shortage of currency...

Ukraine, which has introduced coupons as a kind of monetary substitute in a run-up to the launch of its own currency, will introduce the hryvna as its currency before the end of the year...

In Moscow, meanwhile, a senior official of the European Bank for Reconstruction and Development urged Russia to reform its banking system, with measures including higher interest rates...

French Jobless Rate Rose to 10% in April

PARIS — The number of French people out of work rose to a record 2.9 million in April, bringing the unemployment rate to 10 percent...

uncertainties weighing on the labor market. "Companies are still reserved about recruitment," it said. Mr. Bérégovoy warned Tuesday that France's brisk economic growth rate of 1.1 percent in the first quarter...

Investor's Europe

Table showing stock market indices for various European cities including Frankfurt DAX, London FTSE 100 Index, and Paris CAC 40, with columns for Friday Close, Prev. Close, and % Change.

Pepsi Bottle Deal Aims to Boost Russian Sales

By Michael Parks Los Angeles Times Service MOSCOW — The agreement by PepsiCo Inc. and Eastman Kodak Co. to introduce plastic soft-drink bottles to Russia marks an effort to expand Pepsi sales here despite economic chaos...

Christopher A. Sinclair, president of Pepsi-Cola International Inc., a division of PepsiCo, said the deal should substantially expand Pepsi sales in Russia. "Although the demand is huge for Pepsi, we have two long-standing problems meeting it..."

or four major partners in a single country, we suddenly had dozens of different partners in 15 different, newly independent countries." Earnest W. Deavenport, president of Eastman Chemical Co., a division of Eastman Kodak...

DG Bank Shuts Down Foreign Securities Arms

FRANKFURT — DG Bank Deutsche Genossenschaftsbank said Friday it was shutting its London securities subsidiary as well as securities arms in four other foreign cities...

He said DG Bank's London branch would retain a small team to handle Eurobonds for Frankfurt. DG Bank had earlier said it would cut overall staff by 800 over the next five years...

O & Y: Many Believe Only a Government Bailout Can Save Canary Wharf

(Continued from page 1) on what was said to be an hourly basis. "The original equity has been decimated," he said. While the government continued...

price would be acceptable to the banks and to the administrators is the question," said Mr. Cummane. He reckoned that any price would be but a fraction of the sums already invested in the project...

other prospective tenants as well. Meanwhile, property developers in the lower-rent realms of the Docklands area just east of the City of London are now trying to divorce themselves from Canary Wharf...

Property analysts insisted that without some boost from the government, Canary Wharf, which went into administration on Thursday, would have to take the next fateful step and end up in liquidation.

NYSE Friday's Closing table listing stock prices for various companies and indices.

Table listing stock prices for various companies, including sectors like Chemicals, Electronics, and Industrials.

Table listing stock prices for various companies, including sectors like Airlines, Banks, and Retailers.

Advertisement for 'The Baseball Jacket' by Willabee & Ward. Features a large image of a jacket and text describing its quality and availability.

ESORTS & GUIDES section featuring various travel services with contact information for agencies like Belle Epoch, Debutante, and MerceDES.

Continuation of the Willabee & Ward advertisement, including contact details, toll-free number, and shipping information.

Weak Economies and Strong Yen Hurt Profits at Japan Carmakers

Compiled by Our Staff From Dispatches TOKYO — Sagging economies and a strong yen played havoc with Japan's car industry in the latest year, denting profits at several manufacturers, earnings released Friday show. Nissan Motor Co.'s current, or pretax, profit slid 47 percent, while Mitsubishi Motors Corp. posted a 0.6 percent gain. Fuji Heavy Industries Ltd. reported a loss, and two minor makers saw profits drop sharply. Nissan, Japan's second-biggest carmaker, said its current profit for the year ended March 31 plummeted to 87.75 billion yen (\$683 million) from a year earlier.

Australians See Scant GDP Gain

Compiled by Our Staff From Dispatches SYDNEY — Australia's recession-flattened economy may turn out to have managed only meager expansion in the three months ended in March, despite earlier forecasts for solid growth, economists said Friday. They said data showing exports fell 1.9 percent and imports rose 0.7 percent in the first quarter were bad news for gross domestic product growth for the quarter. GDP data are due out Tuesday. "This will be a setback for those looking for solid recovery in the economy in the March quarter," said Peter McManus, senior economist at CS First Boston.

New Thai Worries Hit Stocks, GDP Forecasts

Compiled by Our Staff From Dispatches BANGKOK — Fears of renewed political unrest in Thailand sent local stocks plunging 2.2 percent on Friday, while economists pared their growth forecasts because of tumbling tourist revenues and domestic investment. The Bank of Thailand said the country posted its first balance-of-payments deficit in 17 months in April, a shortfall of 700 million baht (\$27.5 million). Sources at the Finance Ministry said the figure for May would be far worse because of the bloodshed caused last week when troops opened fire on pro-democracy protesters. Private economists said big declines in tourism, the country's biggest source of foreign-exchange income, and investment would produce a balance-of-payments deficit this year, for the first time since 1990. Analysts had attributed the forecast to a lack of infrastructure and uncertainty following a military coup in February 1991. "It's a nightmare, but let's hope it's a short nightmare," said Nimit Nontapanatwat, chief economist of Bangkok Bank.

Investor's Asia

Table with columns for Hong Kong Hang Seng, Singapore Straits Times, and Tokyo Nikkei 225. Includes line graphs showing index trends and a table of exchange rates for various Asian markets.

Very briefly:

- Malaysian Airline System's group net profit fell 42.8 percent, to 112.9 million ringgit (\$45.2 million), in the year ended March 31, as the economic slowdown cut into its load factor, and the airline announced a one-for-one rights issue to raise 1.75 billion ringgit.
Shanghai Metals Exchange, China's first futures market, opened after several years of experimentation, trading copper, aluminum, zinc, lead, nickel, tin and pig iron.
Hong Kong Telecommunications Ltd. set a five-year commercial paper program to raise 1.5 billion Hong Kong dollars (\$192.3 million).
Japanese police arrested a production worker at the mini in Osaka after two bags of 500-yen coins worth 2 million yen (\$15,600) disappeared.
Narix Line Co., Nippon Yusen KK, Mitsui OSK Line Co., Kawasaki Kisen Kaisha Ltd., Iino Kamin Kaisha Ltd. and Higashi Nippon-Ferry Co. will jointly run a rail passenger ferry service between Russia's Sakhalin Island and Niigata Prefecture on Japan's west coast in mid-August.
Bank of Tokyo Ltd. will upgrade its representative office in Vienna to branch status on June 1.
The Mongolia Assistance Group, including 17 countries and five international organizations, ended a conference in Tokyo with a pledge to extend \$320 million in aid, \$67.5 million of which will come from Japan.
Sharp Corp. and Mitsubishi Corp. set up a joint venture with China's Shanghai No. 1 Television Factory to make air conditioners in Shanghai.
The Honmang-Onoda cement plant, a \$188 million Chinese-Japanese venture in Dalian, has started trial runs and is expected to have annual output of 1.4 million tons, 71 percent of which will be exported.
Orix Corp.'s consolidated pretax profit edged down 0.1 percent to 40.44 billion yen in the year to March 31.

Steelmakers Suffer as Orders Drop

TOKYO — A drop in demand from car and appliance makers devastated pretax profits at Japan's major steelmakers in the year ended March 31, and a slump is expected to continue this year. The declines reported Friday in current profit, the most widely followed pretax measure in Japan, ranged from 46.5 percent at Kawasaki Steel Corp. to 15.5 percent at Kobe Steel Ltd. Nippon Steel Corp., the biggest steelmaker in Japan and the world, saw current profit at the parent company tumble 37.7 percent, to 100.21 billion yen (\$771 million). "Crude steel production started falling in October," said Takao Katsumata, vice president at Nippon Steel. "Because it fell suddenly, we really feel that has badly affected our business." The companies said they expected profits to fall further this year because of the impact of the country's economic slowdown on steel demand, especially in the first half. They estimated Japan's crude steel production, which fell to 106 million metric tons last year, from 111.70 in 1990-91, would drop to 100 million tons this year.

Seoul Woos Japanese Broker

SEoul — The Finance Ministry has decided for the first time to allow a Japanese securities house to open a branch office here soon, ministry officials said Friday. The ministry has yet to pick from among Daiwa Securities Co., Yamaichi Securities Co. and Nikko Securities Co., which have been operating liaison offices in Seoul. In return, a South Korean securities house is expected to be allowed to open a branch office in Japan. A ministry official said branch licenses would be granted to Bankers Trust International PLC, Barclays de Zoete World Securities Ltd., J. Henry Schroder Wagg & Co., W.I. Carr Ltd. and James Capel & Co. plus the yet-to-be selected Japanese firm.

Aircraft Repair Project for Cebu

MANILA — The government has approved a \$153.4 million aircraft repair and maintenance project, officials said Friday, a major boost to the Philippines' attempt to become a regional repair hub. The Export Processing Zone Authority said Asia-Pacific Maintenance Inc., a consortium, would construct the facility at the Mactan International Airport in Cebu, 350 miles (560 kilometers) southeast of Manila. The company is to start operations by July 1994. (Bloomberg, AFP)

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Large table containing financial data, advertisements for various investment funds, and other financial information. Includes columns for fund names, managers, and performance metrics.

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THE MONEY REPORT

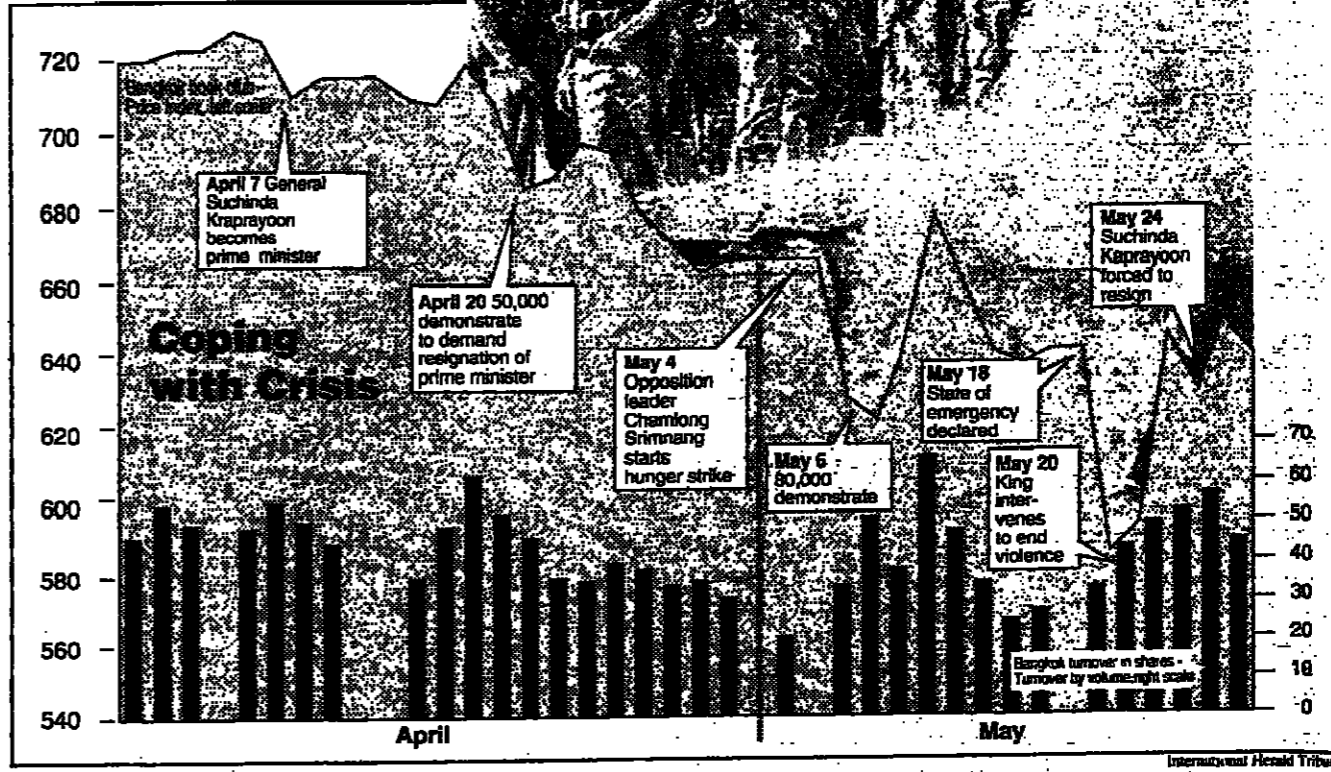
FIRST COLUMN Seeking Real Service In Finance

CAN we cut out the middleman? In a sense, that is all that providers of financial services are. So how about dropping the mutual fund manager and ordering your spread of shares direct from the broker? Again, how about dropping the broker and participating in the market directly? It becomes apparent that individual investors do in fact need middlemen—although a wise guy might argue that if someone has something you need that person is not a middleman but a vital resource. Nevertheless, for consumers of financial services a very important question must always be whether the company charging for its services is worth the money. Usually it will be sensible to let a skilled manager select, say, gold shares or stocks in an Italian country fund. But sometimes you're likely to be able to do it better yourself. For example, the guaranteed part of the currently fashionable guaranteed funds really ought not to be difficult to do. Let's say you have \$100, and you want the money back in 10 years. You simply find a government bond that guarantees the return of the money by then. The price of the bond will depend on the prevailing level of interest rates, since call deposits are direct competitors. You could try to do it with call deposits, but since interest rates vary, you wouldn't be certain that the compound return over 10 years would return your money. Let's say you find your bond, and you have to invest \$50 to get back \$100 in 10 years' time. That leaves you with \$50 to commit to wildly speculative investments. Anything that you make will be profit—although the real gain will be the amount by which your speculative investment outstrips inflation. The speculative bit, of course, is hard to do, as one of the stories in this week's section illustrates. The point is that we consumers pay managers to get it right. If more guaranteed futures funds fail to produce the goods, investors might just as well find themselves a bond and make some speculative plays. At least that way, you'll have the fun of losing your money rather than having to get mad when others lose it for you. M.B.

Keeping a Long View Through Market Jolts

By Conrad de Aenlle

WHEN political turmoil sent stock prices in Thailand cascading this month, or when allegations of influence peddling and drug use against Brazil's president early this week did the same there, investors in these emerging markets may have thought that "submerging" described them better. How do fund managers and other foreign investors handle crisis situations like these? One industry observer, pithily articulating the conventional wisdom, said: "Well, they don't, do they? That's why it's a crisis." Logical enough, but others say that foreign selling is actually quite low during panics in small markets, especially by funds; most money managers choose to ride out the crises or even use them as buying opportunities. Shareholders usually come out no worse and may even profit from the cataclysms that regularly occur in these markets. One reason some funds don't sell is their size. "It depends on the various markets that you're in," said Jeremy Eakin, a trader in Asian securities for W.I. Carr in London. "A lot of these funds are almost too big, and they're quite cumbersome when it comes to investing in the market." That was the case in Thailand. Several closed-end funds that invest there and are listed in New York and London have assets of close to \$150 million each, Mr. Eakin pointed out. That's a lot for such a small, illiquid exchange. "If they panicked, it would move the market." Maybe they didn't panic, but the market did move. Bangkok's SET index fell 19 percent from April 7, when General Suchinda Kraprayoon took power with the army's help, until last week when the king stepped in to quell the crisis. A drop that big and fast reflects panic, but it was home grown, not imported. "You haven't had a rush of Thai funds selling the market," Mr. Eakin said, pointing out that volume was not particularly high during the rout. "It's mainly the locals in Thailand selling it." Local selling on low volume is par for the course in emerging market panics. "There's no question that volume does decrease at times of political strife or turmoil," said Daniel Smaller, emerging markets manager for Lehman Brothers in London, "but they are certainly much more voluminous than they were a few years ago." Increased volume is one sign of emergence in an emerging market. In Peru, for instance, the value of shares traded a few years ago was about \$300,000 a day. Mr. Smaller noted. That increased to \$4 million to \$6 million before President Alberto Fujimori suspended the constitution, congress and judiciary last month. Since then, daily volume has been \$1.5 million to \$2.5 million—less than it was, but a lot more than in the past. Although the heavier volume makes it easier for funds to extricate themselves from fledgling markets more gracefully than when volume was lower, trading remains illiquid. That makes the markets more volatile and has the potential to exacerbate declines during troubled times, said Eduardo Faria, a fund manager at Latin American Securities in London, which has \$650 million invested in the region. "That's why these funds have to be in fairly liquid stuff," he commented, "but obviously, going into cash can be quite difficult if there were a sudden run. So far we've never had any problems. We have never been tested to the extent of having a major event where the market falls totally out of bed. We've had tremendous volatility, but that's part and parcel of investing in emerging markets." Mr. Faria added that reaching local agents during a panic is no problem. It's possible that they might "stop answering the phone, but that can happen anywhere." Even if it did, there are always fax and telex machines. On the contrary, he said, "if they felt there was anything untoward, they would call us. They would be the first to call us and say, 'Something is happening here.' That's why we have local advisers." STAYING in emerging markets during panics is usually a matter of choice and not necessity. Fund managers would remain invested, even if their funds' sheer bulk did not prohibit them from joining an exodus. "For most long-term emerging market fund managers, they buy on a fundamental analysis that often is not determined by day-to-day political or economic events," Mr. Smaller said. "Very often the foreigners are not selling because they're the more mature, longer-term investors." Although fund managers may consider politically inspired selloffs as a mere "blip in the market," as Mr. Eakin put it, what about the shareholders? That blip can wipe out someone's life's savings in minutes. During the global crash in 1987, many fund companies and brokers were swamped with calls from investors who wanted to sell. In many cases, they couldn't get through, and the ones who could get through sold their stocks or forced fund companies to do the same at what proved to be a bottom. It's different with emerging market funds. "It's very unusual that there's a run on a fund and it's forced to liquidate positions to meet redemptions," Mr. Eakin said. "If you buy a Thai fund, you intend to keep invested in Thailand." He also said country funds tend to keep large cash positions so they can avoid selling to meet redemption calls. Two closed-end Philippine funds listed in London held 25 to 30 percent cash, he said. If those who invest in emerging markets are less prone to bail out when the going gets sticky, it's not necessarily that they're made of sterner stuff; it may just be that they expect those markets to be volatile and are likely to keep only a small piece of their portfolios in them. They also tend to be larger investors. Mr. Faria said most of his clients are institutions. Individuals who invest with him have high net worths—high enough not to panic during a crisis. In 1987, it was smaller shareholders that led the flight from funds. In fact, Mr. Faria hesitates to use the term "crisis." He prefers "bad news." This is not a concession to the marketing department. Rather, it's a way of distinguishing between transitory and longer-lasting influences. "Bad news is to be expected," he said. A crisis is "a major event that will cause what we were expecting to change." Most emerging markets that have tumbled in the last few years have done so without being abetted by political turmoil. Indonesia, for instance, fell close to two-thirds in 1990 and '91, thanks to a culprit known all too well in developed markets—higher interest rates, with the poor corporate earnings and more attractive investment alternatives that go with them. Coups and other political upheavals usually have only a fleeting impact on a country's economy, analysts and fund managers argue. When they depress markets, it repre-



Source: Datastream. International Herald Tribune

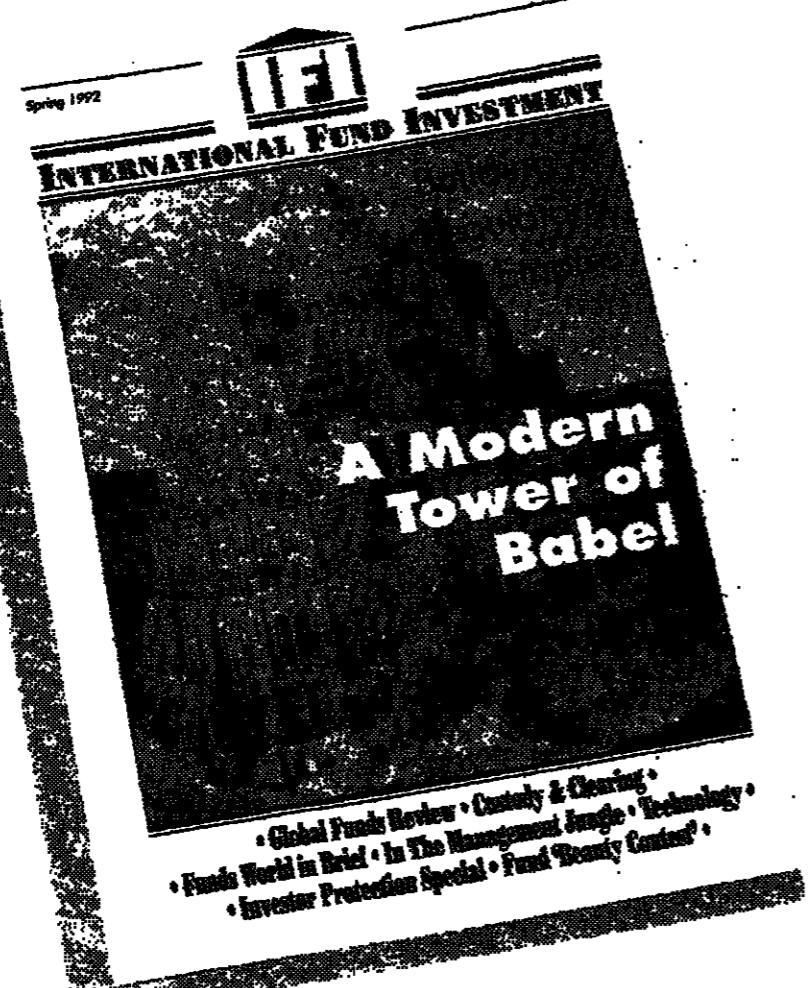
Financial democracy in action in California: The fate of the pensioners' \$57 million is discussed in a public meeting.



Small Town, Bright Light on Pensions

By Martin Baker

SAN JOAQUIN County in northern California is not the kind of place you expect to find the cutting edge of financial decision making. As you drive through the hot, wind-scoured streets of Stockton, the county's main city, you have a choice. Take a left and you find a crisscross of rusting, disused railroad tracks. Take a right and you're on the main drag, where sparse traffic rumbles ponderously before the neutral stares of old men and stray street corner dogs. Once a bustling inland port, Stockton has been hit hard by the U.S. recession. As a stranger in town it's easy to believe the place is struggling to escape from a Norman Rockwell painting. But step inside the local government building and you quickly lose that feeling. All is quiet bustle and high-tech business efficiency as the nine board members of the San Joaquin County Retirement Association conduct the latest stage of a process known as a financial beauty pageant. They are deciding which fund manager is going to get the job of handling more than \$57 million of their pension fund. The board is responsible to more than 5,000 county employees. Its members not only take their duties very seriously, but they are required by law to hold their decision-making meetings in public. In California there is no question of a repeat of the kind of secrecy and chicanery that Robert Maxwell was able to perpetrate in stealing from corporate pension funds. For the past 18 months the board has been privately studying and publicly debating what its investment objectives should be, as well as the criteria for selecting the right fund manager to put its \$57 million in foreign equities (the rest of the \$78 million pension fund, incidentally, is invested in U.S. bonds and shares, in the ratio of 2 to 1). After much argument and self-education, the board settled on a list of 10 fund managers, seven of which were suggested by SEI Capital Resources, an independent pension consultant. The other three were suggested by board members. The list is to be shortened to four managers, who will be asked to come to Stockton and make their presentations before the board. The presentations—scheduled for June 10—will be the final stage in the financial beauty pageant. Then the trustees will begin the round of discussions that will lead to a final decision. The selection process is an exercise in openness and financial democracy promoted by California's sunshine government legislation. The nine board members include the county's chief financial officer and four present or former employees elected by the beneficiaries of the pension fund. The other four members are citizens not connected with the authority (in this case, all four have experience in finance ranging from investment banking to savings and loan opera-



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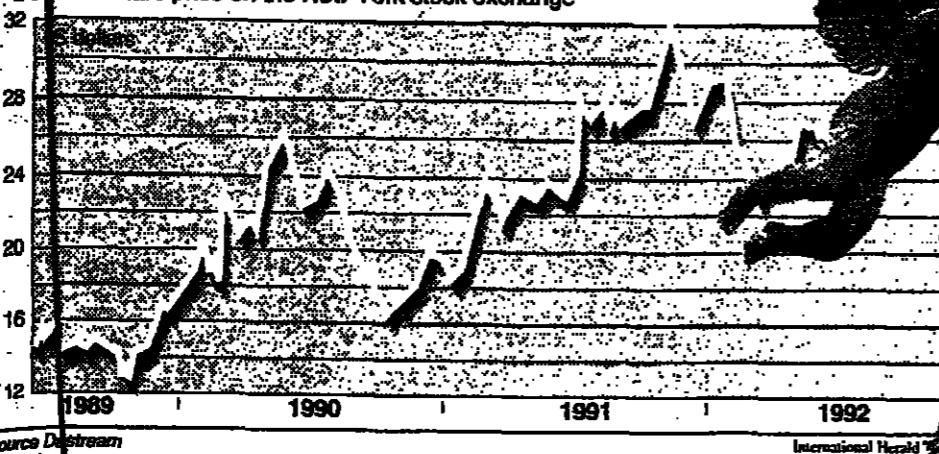
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THE MONEY REPORT

Diamonds: Taking Stock

De Beers' Share price on the New York stock exchange



DeBeers: How to Discount For Mining and South Africa?

By Dave Clements

A COMPANY that controls 80 percent of the market for what it produces and sells ought to be a sure bet for investors, right? So much so that it would be likely to trade at a substantial premium to average market multiples, right? In the case of the De Beers group, wrong and wrong.

So why is De Beers trading at a price/earnings ratio of a little less than 9, based on forecast earnings of about \$3 a share for 1992, when the average P/E for the Standard & Poor's index of 500 companies is over 20 and that for the Financial Times-Stock Exchange 100 index in London is around 20? And why has that ratio seldom exceeded 10 over the past five years, which included some heady times for the diamond market?

There are at least two good reasons, and the company's chairman, Julian Ogilvie-Thompson, acknowledged them at a recent presentation to journalists and financial professionals in Paris, last stop of a four-city European road show aimed at building interest in the stock.



Lodewyk van Berckhe, the inventor of diamond polishing

BRIEFCASE

New Bond Fund Targets Britain for a Rate Decline

Morgan Grenfell Investment Funds, the U.K. mutual fund arm of Deutsche Bank, is launching a Dublin-based bond fund that will commit to government debt worldwide, choosing top-quality credit risks (the riskiest instruments bought will be AA graded).

A Bahrain Briefing Book For the Offshore Investor

One of the main benefits sought by many users of offshore banking and financial services is close physical proximity to the provider of the service. Sometimes it's just very important to be able see that bank manager, and it's much better if you don't have to catch a plane to do it.

U.S. Mutual Fund Industry, From Annuities to Zeros

What is a mutual fund? What is the difference between the retirement market and the small pension plan market? What is a rollover? And what does it mean if you're in a payroll deduction plan?

fund industry, which has just published its 1992 Mutual Fund Fact book. The book runs to 140 pages, includes a glossary of technical terms and listings of where to get more information.

It is well set out and in general clearly written, although some of the explanations of the finer points of tax treatment might be slightly confusing for readers who aren't already familiar with the subject. It costs \$15.

For more information, write the Investment Company Institute, 1600 M Street NW, Suite 600, Washington, DC 20036; or call Washington (1 202) 293 7700.

Liffe Looks to Italian Lira To Enliven Futures Trade

You win some, you lose some. The London International Financial Futures and Options Exchange, which recently canceled its spurring Eurotrack 100 derivatives, has just begun futures trading on three-month Eurodollar deposits, debt instruments denominated in the Italian currency.

Each Eurodollar contract has a face value of 1 billion lire, or about \$820,000. Traders, however, need only put up an initial margin of 600,000 lire to take an unhedged position or 300,000 lire for a spread. Contracts will settle four times a year, and settlement will be in cash.

During the first two weeks of Eurodollar futures trading, which began May 12, volume averaged 1,670 contracts a day, a Liffe spokeswoman said. Should demand warrant it, she added, the exchange may list options on the futures.

Analysts Split on Prospects For a Continued Rise in Oil

Was the dollar-a-barrel jump in oil prices last Tuesday, after OPEC announced an accord on production levels, the beginning of a sustained rally?

Jeremy Hudson, an oil analyst in Lehman Brothers' London office, isn't counting on it, at least for a few months. "I don't think crude will make a significant move from here," he commented. "I don't think it will make a move until September. Then the market will shift its focus to a very tight supply-demand background."

The key, he said, is how close Saudi Arabia comes in the third quarter to reaching its production capacity. The kingdom is pump-

ing 8 million barrels a day, about a million under their stated capacity.

Mr. Hudson said the Saudis "will quietly slip, unofficially, extra barrels into the market," keeping prices low. But "there's a pretty good chance the Saudis will be close to capacity in the third quarter. They'll have nothing left to give in the fourth."

With the Saudis the only members of the Organization for Petroleum Exporting Countries with excess capacity, that sets the fourth quarter up for a period of rising prices, he said. He looks for an average of \$21.50 a barrel for Brent crude, up only about 80 cents from its level late last week. For brief periods, though, it could trade at \$24, he said.

He thinks, however, that those higher prices will be unsustainable next year.

Irene King, who follows oil for J. P. Morgan, said she, too, is expecting modestly higher prices, thanks to economic recovery in the United States. She said in a recent research report that "oil prices, especially for refined products, are expected to remain firm."

She added that higher OPEC production would stunt the gain, but that "if OPEC production does not rise in the second half, oil prices would rise by \$2 to \$3."

Robert Prechter, editor of the Global Market Perspective newsletter, is bullish on oil, as he is on just about every other investment market. He wrote in his May edition, when light, sweet crude futures were just under \$21: "Any further price advance should be less than a dollar a barrel before prices begin a trek below \$17.45." A good target, he said, is \$15. Long term, he sees light, sweet crude going below \$10. (That grade of oil usually fetches \$1.25 a barrel more than Brent.)

The month before, when oil was a little above \$19, he wrote that a move past \$19.50 would mean a continuation of the rally, up as high as \$21.70, pretty close to where it traded this week.

At Least You Get a Break After Earning Tax Man's Curse

Here's a sobering thought for American workers from a Washington organization called the Tax Foundation: By the time the average American has earned enough money in his workday to pay off his tax obligation it's almost time for lunch.

The foundation figures Americans must toil 2 hours and 45 minutes every day to earn enough to pay their tax bills: 1:46 for the federal government and 59 minutes for state and local jurisdictions. In other words, tax-eat-up just over a third of an American's paycheck.

Earning enough to pay the Internal Revenue Service takes up a bigger part of the day than any other single expenditure. Coming next is housing and household operations, at 1 hour, 32 minutes.

It takes 54 minutes of labor a day to buy food and tobacco, and the same block of time for health and medical care. Transportation weighs in at 35 minutes, recreation at 24 and clothing at 21. That leaves three quarters of an hour for other spending.

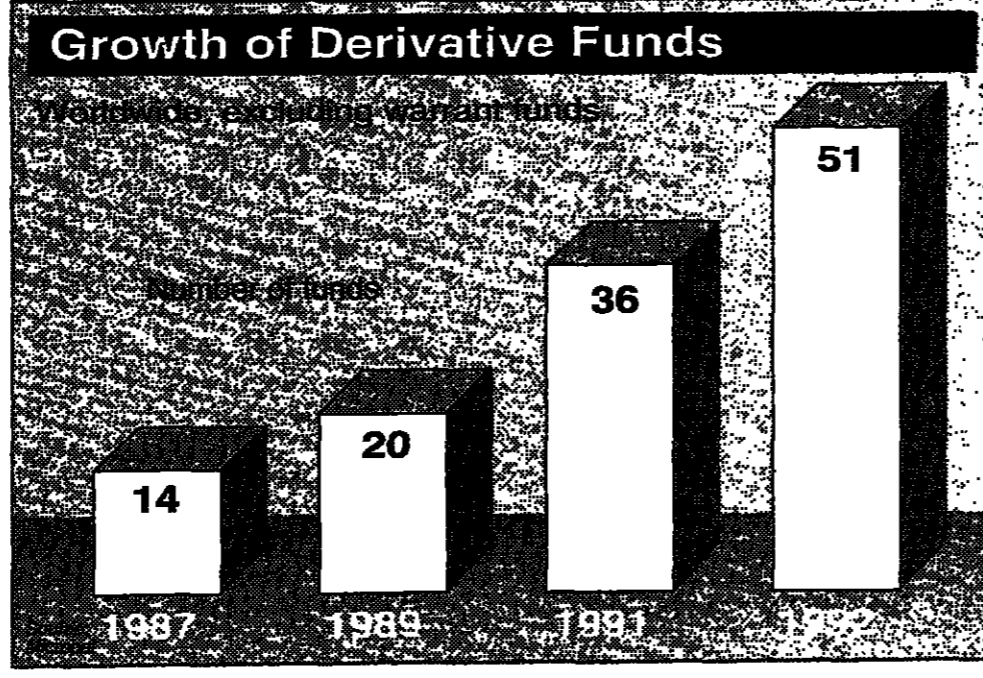
Too Much Promise in Guaranteed Funds?

By Beverly Chandler

GUARANTEED funds have risen to favor among international investors by promising something close to the best of two very different worlds. They have been sold by offering investors the dream combination of profit without risk. On the one hand is the guarantee: Wait a little while—usually at least five years—and you get your money back. On the other, there is a possibility of fairly substantial capital gain.

The idea is simple enough, and has turned guaranteed funds into a \$25 billion business. The majority of investors' money, often around 70 percent, is invested in money market instruments that will provide a return sufficient to match the original investment in a number of years. This is the guaranteed part. The potential profit comes from the remainder of investors' original outlay, which is often invested in futures and options.

The idea behind the funds is a good one. But it is not foolproof. At a recent managed futures fund conference in Paris, there was much debate on the value of guaranteed funds. This was largely sparked off by the news that the \$88 million Dean Witter Principal Guaranteed III fund was forced to give up investing in futures and become a money market fund until its redemption date.



that was supposed to be the source of capital gains for the fund went into a slump. Under its letter of credit with Barclays, the fund was required to stop futures trading to ensure enough capital remained to fulfill the guarantee if losses reached 15 percent of fund assets. That point was reached last month. Investors have the option of coming out now and getting the current net asset value—which represents a 15 percent loss—or remaining in the fund until maturity, when they will get their original investment back plus, hopefully, a little extra.

Mr. Barrow claimed that, despite his obvious preference for funds not having to cease trading, this case was a reassuring example of the guarantee mechanism working. Not all guaranteed funds are doomed. A separate fund launched by ED&F at the same time as the Dean Witter fund, the Mint Guaranteed Australian, has a more conventional guarantee structure and is currently up 20 percent.

Eric Bettelheim, resident partner in London for lawyers Roger & Wells says: "In the context of guaranteed funds, it is important to check what the nature of the guarantee is. At the end of the day the investors must be certain that if everything else falls away, what they are left with will have value at the end of the guaranteed period."

you can't use all your money for trading." Therein lies the problem with the guaranteed funds. Records show that they do not perform as well as non-guaranteed managed futures funds. Indeed, in 1990 and 1991, there was not a single guaranteed fund ranked among the top 10 managed futures funds.

There is also another problem with funds that have sophisticated structures, and that is the high level of charges. With commissions paid to the commodity trading advisers, brokers and others, as well as fees for performance, the average guaranteed fund charges from 10 to 13 percent of investor funds in the first year and 2 to 3 percent a year thereafter. In the case of Dean Witter, sources with knowledge of the fund said it was believed to carry fees roughly 5 percentage points higher than average. Dean Witter declined to comment.

For the managed futures fund industry to achieve its aim of widespread acceptance among conservative fund managers and investors, watching the level of charges may be more important than worrying about whether or not to offer a guarantee.

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For the Record

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Quotable

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Yugoslavia Gets UEFA Go-Ahead

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The French umpire Bruno Rebuth got what he wanted after celebrating his 1,000th match in the chair...

French Open

Men's singles, third round: Shiel Graf (2), Germany, def. Armando Caceres, South Africa, 6-2, 6-1...

Stanley Cup Finals

(Best-of-7) Pittsburgh leads series 3-0 Chicago in Pittsburgh...

Giro d'Italia

Rinaldo Pileggi in the sixth stage of the Tour of Italy cycling race, 223 kilometers (138.2 miles) from Paris to San Marino...

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Rain and Darkness Create Delays

By Ian Thomsen
International Herald Tribune
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